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THE

Market Administrator's

BULLETIN

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Milk Production Prospects Lower

The Dairy Situation, Economic Research Service, USDA, March, 1966

U. S. milk production in January was 9.9 billion pounds, down over 5 percent from a year earlier and about 1½ percent below the 5-year average for the month. This was the tenth consecutive month of decline from a year earlier. The decline from a year earlier increased from around 1 percent during April-June 1965 to above 5 percent in December and January. The persistent and currently large difference from year-earlier levels indicates 1966 output may fall 2 percent below the 125.1 billion pounds for 1965, even though production may run above year-earlier levels during the latter half of the year. This assumes supports at 75 percent of parity during the 1966-67 marketing year.

Output per cow in January was 658 pounds, same as a year earlier. This was the first month that output per cow failed to gain over a year earlier since August 1954. Decreases occurred in 7 North Central States, which normally account for about 35 percent of U. S. milk production, and in several Western States.

U. S. milk output last year was 125.1 billion pounds compared with a record 127.0 billion in 1964. Nearly

all of the 2-billion-pound production decline occurred in the Lake, Cornbelt, and Northern Plains States. Output also fell slightly in the Mountain and Pacific States, but was about the same as a year earlier in the Northeast. Small increases occurred in other production regions.

In 1965, U. S. average production per cow gained 2.2 percent from a year earlier, compared with 4.6 percent in 1964 and the 3.4 percent 10-year average. Average output per cow rose 4.7 percent in the South Atlantic, 6.4 percent in the South Central, and 3.2 percent in the North Atlantic regions. However, increases in the East North Central and Western regions were only 1.3 and 1.0 percent respectively. Output per cow fell 0.3 percent in the West North Central area. Small production gains and declines per cow in these 3 regions were caused chiefly by the low quality feed grains and forage. Crop correspondents reported feeding an average 10.2 pounds of grain and concentrates daily per cow on February 1, up 4 percent from a year earlier, compared with the 8 percent gain of a year earlier and the 4 percent 5-year-average increase for the date. This year's increase has not offset the decline in feed quality
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Domestic Use Steady In 1965; Falling In 1966

The Dairy Situation, Economic Research Service,
USDA, March, 1966

Preliminary estimates put 1965 domestic use of milk in all products about the same as the 122½ billion pounds in 1964. In early 1966, fluid milk products sales are gaining from early 1965, but total use of manufactured products is declining by a larger amount. Disappearance through commercial channels rose from a year earlier by about 1½ billion pounds (milk equivalent in 1965; about 1 billion pounds of the increase was in fluid sales. However, USDA donated about 1½ billion pounds (milk equivalent) less as butter and cheese for use in domestic programs. Among manufactured products, consumption of both frozen desserts and cheese gained, while that of butter and evaporated milk continued its long-time downtrend.

Sales of fluid milk and cream products (milk equivalent) in major marketing areas last year totaled about 1 percent above 1964. Average daily sales were 8 percent higher than a year earlier for skim milk items and 1 percent more for fluid whole milk. Sales of milk and cream mixtures declined about 2 percent; fluid cream sales, 1 percent.

The Federal budget submitted to Congress in January, (fiscal year beginning July 1) requested \$21 million for the Special Milk Programs in
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Columbus

MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY

Producers' Uniform Price (3.5%)	\$4.72	\$4.76	\$4.25
Class I (3.5%)	5.03	5.10	4.57
Class II (3.5%)	3.40	3.32	3.13
Producer Butterfat Differential for each one-tenth percent	8.3¢	8.4¢	7.6¢

UTILIZATION SUMMARY

Percent of Producer Milk in Class I	82.6	83.3	79.3
Percent of Producer Butterfat in Class I	76.5	75.5	72.8
Percent of Producer Milk in Class II	17.4	16.7	20.7
Percent of Producer Butterfat in Class II	23.5	24.5	27.2

PRODUCER MILK RECEIPTS

Total Pounds of Producer Milk Delivered	46,633,917	41,815,504	47,417,628
Average Daily Class I Producer Milk	1,504,320	1,493,411	1,529,601
Total Number of Producers	1,583	1,593	1,667
Average Daily Receipts per Producer	950	938	918
Average Butterfat Test	3.78	3.87	3.84
Total Value of Producers Milk at Test	\$2,307,144	\$2,118,663	\$2,136,366
Income per Producer (7 day average)	\$329	\$332	\$289

GROSS CLASS USE (Pounds)

Class I Skim	37,169,795	33,603,237	36,298,480
Class I Butterfat	1,347,742	1,221,894	1,326,672
Class I Milk	38,517,537	34,825,131	37,625,152
Class II Skim	7,703,438	6,593,814	9,296,521
Class II Butterfat	412,942	396,563	495,955
Class II Milk	8,116,380	6,990,377	9,792,476

AVERAGE DAILY SALES (Quarts)

Milk	458,143	455,040	447,503
Buttermilk	6,397	5,787	5,944
Chocolate	33,464	31,473	31,446
Skim	13,880	13,787	14,962
Cream	8,900	8,805	9,607

* Corrected figure

COMPARATIVE STATISTICS



COLUMBUS MARKETING AREA



MAR. 1957 - '66

Year	Receipts From Producers	Average Butter- fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class Prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1957	24,561,765	3.77	83.6	10.8	2.8	2.8	4.46	4.566	4.166	4.066	3.063	1,918	444
1958	25,204,863	3.78	80.9	10.1	3.9	5.1	4.34	4.493	4.093	3.993	3.070	1,833	472
1959	24,683,556	3.81	85.2	10.2	1.2	3.4	4.28	4.394	3.994	3.894	2.871	1,687	413
1960	28,724,747	3.98	82.5	8.6	2.2	6.7	4.24	4.419	4.019	3.697	2.981	1,704	544
1961	31,091,341	3.77	76.2	8.4	1.9	13.5	4.20	4.44	4.04	3.804	3.090	1,459	687
1962	34,362,548	3.89	77.2	8.8	3.0	11.0	4.20	4.40	4.011	3.849	3.249	1,328	835
1963	38,328,637	3.88	78.6	8.4	3.5	9.5	3.95	4.11	3.702	3.663	3.063	1,383	894
1964	42,279,621	3.81	72.2	7.7	2.4	17.7	4.01	4.27	3.835	3.675	3.078	1,347	1,012
1965	47,417,628	3.84	79.3	20.7	—	—	4.25	4.57	3.130	—	—	1,667	918
1966	46,633,917	3.78	82.6	17.4	—	—	4.72	5.03	3.40	—	—	1,583	950

Cheese Outpays Butter and By-Products

The Dairy Situation, Economic Research Service, USDA, March, 1966

Except in seasonally low periods of production, supplies in excess of demand from commercial sources have kept dairy product prices closely in line with support levels since 1952. From 1962 to 1964, American cheese prices rose relative to butter prices, because demand for cheese increased more rapidly than supply. This growing demand for cheese absorbed rising output from and prevented accumulation of stocks. By contrast, supplies of butter were large compared with commercial demand, so wholesale prices of butter remained close to the support level.

Wholesale butter and American cheese prices for 1965 both gained about 2 percent over a year earlier, but Swiss and other foreign-type cheese prices gained more. Cheese production was about the same in 1965 as in 1964. But commercial demand rose sharply, in the second half, due chiefly to local purchases of cheese for school lunch programs (to offset reduced CCC cheese donations) and to higher red meat prices. With strengthened demand and tighter milk supplies, cheese plants have been increasing prices paid to farmers since third quarter 1965, more than butter and by-product plants. This has brought a sizeable shift of milk supplies from use in butter and by-products to use for cheese. Similar shifts in prices and utilization occurred in late 1960 and in 1963.

Many larger diversified plants shifted milk from butter to cheese; and improved prices for milk at cheese plants shifted milk supplies from butter and by-product plants. Wholesale butter prices in late December fell from 64.5 cents per pound at Chicago to 59 cents, the support purchase price, as production increased seasonally above commercial requirements. Prices averaged 59.3 cents in January. Wholesale cheese prices at Wisconsin assembly points averaged 42.8 cents per pound in January, about 6 cents above the support level.

Gross processing margins (the spread between the price paid by factories for milk and the combined wholesale value of products) in December 1965 averaged above a year earlier for both butter and by-product and American cheese plants. However, in January, the cheese factory margin gained while the butter and by-products margin declined, due to wholesale price changes. By late February both butter and cheese prices had risen further and came more closely in line as production remained below use.

Declining domestic and export demand, have kept prices paid farmers for milk used in evaporated milk in 1965 below the average price paid for all manufacturing grade milk of the same test. Total manufacturing milk supplies declined from a year earlier in 1965,

Dairy Stocks Reach Low Levels

The Dairy Situation, Economic Research Service, USDA, March, 1966

Stocks of most dairy products are likely to be lowest at the end of the 1965-66 marketing year (March 31) since 1952 — the time of the Korean War. At the end of January, total storage stocks were 3.9 billion pounds (milk equivalent), 1.0 billion below a year earlier and 49 percent of the 1960-64 average for that date. Government holdings of butter and non-fat dry milk were low; those of cheese were virtually exhausted. Few purchases, except contracted quantities, were in prospect for the rest of the marketing year, and practically all supplies were committed for delivery by the end of March.

January 31 commercial holdings also were at low levels; butter stocks — at 26 million pounds — were lowest for the date since 1961. The 257 million pounds of American cheese were the lowest since 1960. These 2 products make up over 80 percent of storage stocks.

Stocks at the beginning of 1966 totaled 4.5 billion pounds (milk equivalent), 0.8 billion below a year earlier. Only 0.5 billion of the total were Government holdings. About half the 1965 decline was in Government holdings of butter and cheese and half in commercial stocks, chiefly those of butter and evaporated milk. Commercial cheese stocks were only slightly lower.

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DOMESTIC USE . . .

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schools, down \$82 million from the \$103 million appropriated for the current year. The Budget request would assure low-price milk for children attending schools which do not have lunch programs and free milk in other schools for those who are unable to pay for it. Since the program began in 1954, Congress has provided funds for increased use by reimbursing local purchases. Currently the reimbursement rate averages about 3 cents per half-pint (about \$6 per 100 pounds of milk). About 92,000 schools participate in the program—including child care centers and day camps. Last year, around 3 billion half-pints of milk were served under the program.

Total fluid sales likely will be higher in 1966 than in 1965, more than off-setting declining use of fluid milk and cream on farms with milk cows as the number of such farms continues to fall. However under the smaller Budget request for school milk funds, school use likely will fall after July 1, and total fluid use may be about the same as a year earlier.

In 1965, domestic use of butter fell about 4 percent as use from commercial sources and CCC donations declined. Use of butter from commercial sources fell about 1 percent while USDA donations fell 20 percent.

USDA requested bids for print butter in February to meet March requirements for school lunch use under the new purchase authority of

Market Quotations

MARCH

1966

MINNESOTA - WISCONSIN PRICE SERIES	\$3.68
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus)	3.30
Average Price per lb. 92-score butter at Chicago	.6340
Average carlot prices non-fat dry milk solids roller and spray process, f.o.b. manufacturing plant	.1481

the Food and Agriculture Act of 1965. This action followed President Johnson's Food for Freedom message to Congress directing USDA to buy limited amounts of dairy products as necessary to meet needs. Sec. 709 of the Act authorizes dairy products purchases at market prices to meet school lunch needs when CCC stocks acquired under the dairy price support program are insufficient for such use. However, bids received through February 25 were rejected inasmuch as prices were above the current market.

CCC stocks and January-February purchases filled school lunch needs through February. It is expected that butter for future school lunch uses can be obtained by purchases under the dairy price support program or under Section 709 authority. This year's total may be below the 100 million pounds last year. Distribution of butter to needy families and charitable institutions is expected to be resumed when stocks again reach sufficient levels. However, butter supplies available for such uses are expected to be below last year's 35 million pounds.

MILK PRODUCTION

(Continued from Front Page)

in the affected areas. Rates declined slightly in New York, Wisconsin, and Ohio, but increased in the rest of the 10 leading dairy States — Pennsylvania, Illinois, Michigan, Minnesota, Iowa, Missouri, and California.

Milk per cow is likely to gain less in 1966 than the 225-pound 10-year average. Larger increases in the second half of 1966 are not expected to offset first half prospects for only small increases from a year earlier.

The number of milk cows on farms during 1965 averaged 15.5 million, 0.6 million below 1964. This decline was about 20 percent greater than in 1964. The downtrend in milk cows quickened in the second half of 1965, as beef cattle and hog prices rose more sharply than milk prices. Milk production in the North Central States was especially affected by this unfavorable relationship. Forage shortages in Northeastern States contributed further to cow culling. Nationally, gains in off-farm employment and wages afforded attractive alternatives for dairy farmers.